

## **The Community Land Trust** **A Solution to the Crisis of Housing Affordability**

We are all familiar with the hard line economic and social realities we face in our 21<sup>st</sup> Century American society today. Housing costs have spiraled beyond the reach of an overwhelming number of working families and other households with limited incomes. Neighborhoods long victim to disinvestments and absentee ownership are now appealing to households with the means and desire to avoid long hours spent commuting and the soaring price of gasoline. Many communities are facing a rapidly dwindling supply of build-able land, forcing the price of remaining, available lots ever higher. And, given the cutbacks in federal support for affordable housing and the limited supply of charitable dollars available from the private sector, subsidy funds are always in drastically short supply. Our neighborhoods and communities are caught in the squeeze.

Into this complex and troubling scenario a new set of questions is arising. What are the legitimate interests of ownership? How do we balance the rights of the individual with the collective rights of the neighborhood and community? Ought we be focusing our efforts to create a stock of *permanently* affordable housing? Does it make sense to use limited public and private subsidies to create a home that is initially affordable but becomes unaffordable the first time the ownership is transferred? Does it not make more sense to preserve these precious subsidies by locking the subsidy into the unit to keep the unit affordable *forever*?

Against this background, the community land trust has emerged. Community land trusts offer a practical means of preserving permanent housing affordability at the same time that they provide a new conceptualization of property and ownership.

Community land trusts (CLTs) typically acquire and hold land and sell off any residential or commercial buildings that are on the land. Title to the land is held in perpetuity by the CLT, governed by a community-based Board of Directors. Exclusive, possessory use of the land is conveyed to individual homeowners by means of a long-term (99-year) ground lease that is assignable to the heirs of the leaseholder and renewable at the end of the 99-year term. In this way, the cost of land in the purchase price of the home is minimized or eliminated, making the housing more affordable – while assuring long-term stability and security for the CLT homeowner.

Additionally, CLTs place equity limitations into the ground lease agreement that restrict the resale price of the housing in order to maintain its long-term affordability – in an attempt to balance the seemingly competing goals of providing a fair return on the initial owner's housing investment, on the one hand, with assuring that the housing unit is kept affordable for the next buyer, on the other. People who buy homes through a CLT are, in substance, selling their right for unlimited market-driven appreciation in exchange for significant upfront subsidy that allows them to own a home they otherwise would have been unable to afford. Careful crafting of CLT ground lease resale formulas assures that CLT homeowners are able to realize a fair (albeit limited) equity return on their housing investment, while preserving the affordability of the home for subsequent limited-income homebuyer households – without requiring the infusion of additional subsidy at the time the property changes hands. In so doing, the benefit of the investment of public and private dollars needed to *create* affordability is *preserved* for generations to come.

At the same time, CLT homeowners are able to experience the true benefits and obligations of homeownership. CLT homeownership qualifies for homestead classification in the assessment of real estate taxes – and the CLT homeowner is responsible for payment of all property taxes on their home and the land on which it sits. CLT homeowners are able to deduct the mortgage interest paid when they file their tax returns. And all CLT homeowners enjoy the same tangible benefits that homeownership provides to anyone fortunate enough to own their own home –

security, stability, the opportunity to live in a community of their choice, proximate to work and school and family and friends.

And all of this is situated within a community-based, nonprofit organization governed by a board of directors that is broadly diverse and representative of the interests of the community that is served. CLT boards of directors are typically structured in three-part fashion, to balance community interests in the governance of the organization: 1/3 of the board seats are reserved for those who lease land from the CLT (lessees), 1/3 of the seats are reserved for community representatives (i.e., the neighbors of the CLT lessees) and 1/3 for public representatives. As community-based organizations, CLTs take a long-term, comprehensive approach to their responsibility to their homeowners and the communities they serve. CLTs typically provide substantial post-purchase support to their lessees, providing essential “backstopping” support and maintaining on-going relationships with homeowners, in an effort to promote and assist their self-sufficiency and success. As an example, CLTs reserve the right – and are prepared to step in – to cure a default on the mortgage of any lessee/homeowner.

CLTs have effectively negotiated mortgage financing commitments for CLT homebuyers from a variety of established lending institutions. Many banks provide “affordable mortgage” products through their community lending departments, offering mortgages the bank will hold in its lending portfolio. Fannie Mae has also embraced the community land trust model – and banks can originate loans that can be sold on the secondary market to Fannie Mae. Additionally, USDA Rural Development has been willing to participate in mortgage financing for CLT homebuyers. And many state housing agencies have made arrangements to provide gap funding and mortgage financing products to qualified community land trusts within their jurisdiction.

CLTs develop affordable for-sale and rental housing, commercial space, and parks while promoting homeownership, housing stability, historic preservation, neighborhood revitalization and – importantly – local control.

CLTs are currently operating in 39 states and the District of Columbia. In the past 20 years, their numbers have grown from fewer than 30 to over 220 today, with a substantial and growing number of new CLT initiatives in the preliminary stages of their development. While much of the initial interest and growth in CLTs was stirred by the socially progressive nature of the model, the past several years have witnessed a remarkable spike in interest, fueled by municipal governments, funding organizations and housing developers who recognize the wisdom of locking limited and precious public and private subsidies into housing that is kept permanently affordable.

This growth in interest in community land trusts – as well as their practical and successful applications – is happening in a broad array of community settings: core city neighborhoods, suburbs, small communities and rural areas. It is increasingly being recognized as a creative and effective tool to be used in local neighborhood revitalization efforts as well as in new community development initiatives.